

Message Text

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41

ACTION NEA-10

INFO OCT-01 ISO-00 AGR-05 TRSE-00 FS-01 ABF-01 L-03 EB-07

AID-05 FRB-03 OMB-01 SS-15 SP-02 NSC-05 CIAE-00

INR-07 NSAE-00 IGA-01 A-01 /068 W

----- 015097

R 121222Z JUN 75

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 2880

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E.O. 11652 N/A

TAGS: AFIN, CE

SUBJ: US-OWNED RUPEES IN INTEREST-BEARING ACCOUNTS

REF: A. STATE 136722

B. COLOMBO 1549

C. COLOMBO 1835

1. WE VERY MUCH APPRECIATE ADDITIONAL INFORMATION PROVIDED IN REF. A.

2. BACKGROUND MATERIAL WHICH HAS SURFACED TO DATE PROVIDES NO DIRECT ANSWER TO QUESTION OF WHY COMMERCIAL INTEREST-BEARING ACCOUNTS WERE MAINTAINED AND AUGMENTED AFTER JUNE 1966 EXCHANGE OF LETTERS. HOWEVER, IN LIGHT OF WHAT WE DO HAVE, WE SUGGEST FOLLOWING POSSIBLE ARGUMENTS FOR DEPARTMENT'S CONSIDERATION IN FORMULATING OFFICIAL USG POSITION.

A. WE NEVER INTENDED, AND NEVER SAID WE INTENDED, TO KEEP ALL USG-OWNED RUPEES IN TREASURY ACCOUNT. THAT IS SUPPORTED BY STATEMENT IN STATE 210, MARCH 8, 1966; "FOR PRESENT, WE INTEND KEEPING ALL US-USE RUPEES....IN INTEREST-BEARING ACCOUNT IN CENTRAL BANK...."

B. JUNE 1966 EXCHANGE OF LETTERS DID NOT SPECIFY THAT ALL USG-OWNED RUPEES WOULD BE KEPT IN TREASURY ACCOUNT. OUR INTENT WAS TO INSURE THAT FROZEN FUNDS STARTED EARNING SOME INTEREST AND

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THAT THE UNFREEZING WOULD CONTINUE AT RATE OF AT LEAST RS500,000

A MONTH.

C. BELLIDO LETTER MENTIONED 1966 PL-480 AGREEMENT ONLY BECAUSE USG WANTED THE 75 PCT OF PROCEEDS FOR COUNTRY USE TO START EARNING INTEREST ALSO, RATHER THAN SIT IN CENTRAL BANK.

D. OUR INTENT IS FURTHER SHOWN BY FACT THAT THE 2.5 MILLION RUPEES LYING IN COMMERCIAL DEPOSITS IN JUNE 1966 WERE NOT TRANSFERRED TO TREASURY. THESE DEPOSITS HAD BEEN CREATED WITH THAT PORTION OF MONTHLY HALF-JIOON "ALLOWANCE" (STARTED IN OCTOBER 1965) IN EXCESS OF CURRENT EXPENDITURE NEEDS (COLOMBO A-140, JANUARY 6, 1966).

E. FURTHER, EMBASSY CONTINUED TO MAKE COMMERCIAL DEPOSITS OUT OF MONTHLY "ALLOWANCE/UNTIL MAY 1967.

F. IN OUR VIEW 1966 EXCHANGE OF LETTERS HAS BEEN SUPERSEDED BY ARTICLE II, PARAGRAPH C.1. OF 1967 AGRICULTURAL COMMODITIES AGREEMENT WHICH STATES: "PAYMENTS IN THE LOCAL CURRENCY OF THE IMPORTING COUNTRY (HEREINAFTER REFERRED TO AS LOCAL CURRENCY), SHALL BE DEPOSITED TO THE ACCOUNT OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA IN INTEREST BEARING ACCOUNTS IN BANKS SELECTED BY THE GOVERNMENT OF THE UNITED STATES OF AMERICA IN THE IMPORTING COUNTRY." THIS AGREEMENT HAS NOT BEEN SUPERSEDED.

G. BECAUSE OF FOREGOING REASONS, WE ARE NOT OBLIGED TO KEEP SURPLUS RUPEES IN TREASURY ACCOUNT, AT INTEREST RATES PUNITIVELY LOWER THAN CURRENT COMMERCIAL RATES. IN VIEW OF DIFFICULTIES SECRETARY COOREY SET FORTH IN HIS MAY 14 LETTER, HOWEVER WE WOULD BE PLEASED TO MAINTAIN SOME OF OUR FUNDS IN TREASURY, OR OTHER GSL-CONTROLLED BANKING INSTITUTION, IF THEY WERE TO DRAW REASONABLE RATE OF INTEREST. END SUGGESTED POSSIBLE ARGUMENTS.

3. AS NOTED COLOMBO 1835, WE HOPE TO MEET W.T. JAYASINGHE'S TARGET OF JUNE 16 FOR REQUESTED INFORMATION ON AMOUNTS AND PURPOSES OF WITHDRAWALS AND TO PROVIDE OFFICIAL USG POSITION ON JUNE 1966 EXCHANGE, FOR BOTH OF WHICH WE NEED DEPARTMENT'S GUIDANCE. IN ADDITION TO JAYASINGHE'S REQUIREMENTS, WE BELIEVE IT WOULD BE TACTICALLY ADVANTAGEOUS IF AMBASSADOR COULD SEND OFFICIAL REPLY TO SECRETARY CHANDANA COOREY'S MAY 14 LETTER BEFORE RETURN OF FINANCE MINISTER TO COLOMBO JUNE 20 OR 21.
VAN HOLLEN

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Decaption Note:
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Disposition Approved on Date:
Disposition Authority: woolflhd
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975COLOMB01862
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750205-0187
From: COLOMBO
Handling Restrictions: n/a
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Margaret P. Grafeld
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